

Finally, AT&T argues that the 90% processor utilization factor used in the SWBT IBT cost study is too high and underestimates true costs. AT&T points out that the 90% rate was approved in the Mega-Arbitration proceedings for a slightly different purpose, noting that no unit cost figures based on the 90% processor utilization value were used to establish local switching rates in those proceedings. Questioning the propriety of using the 90% processor utilization factor, AT&T observes that the range of resulting cost calculations can vary as much as 100-fold when the assumptions employed vary between 0% utilization to 100% utilization.¹⁸¹

AT&T offers a counter method for setting reciprocal compensation rates that treats traffic within an entire LATA as local traffic. The rates proposed by AT&T are largely based on costs determined in the Mega-Arbitrations, with small changes in certain assumptions. For example, AT&T assumes that the average mileage for transport is longer than that assumed in the Mega-Arbitrations in view of the inclusion of more rural, less dense areas in a LATA. The AT&T method also includes use of the tandem switch charge.¹⁸² The AT&T proposal results in a blended rate of \$0.0024654 per minute.¹⁸³

The Coalition, like AT&T and ICG, contend that the SWBT IBT cost study is faulty. Coalition witness Mr. Montgomery supports the testimony of AT&T witness Mr. Rhinehart and ICG witness Mr. Wood setting forth the flaws in the SWBT IBT cost study.¹⁸⁴ The Coalition is also critical of the SWBT IBT's use of two usage studies. It asserts that the first usage study attempts to separate ISP-bound traffic and measure the number of minutes that fit criteria established by SWBT as indicators of an Internet dial-up call, including the number of incoming calls and the duration of those calls. With regard to the second study, which counts the minutes of voice and data traffic for two SWBT central offices, the Coalition argues there is no scientific or logical reason for using those specific central offices. According to the Coalition, the data

¹⁸¹ *Id.* 17-20.

¹⁸² AT&T Ex. No. 7, Direct Testimony of Jon A. Zubkus at Attachment 1.

¹⁸³ AT&T Ex. No. 7, Direct Testimony of Jon A. Zubkus at 5.

¹⁸⁴ Coalition Ex. No. CLEC-2, Rebuttal Testimony of William Page Montgomery at 11-12.

obtained from the two offices differ from each other significantly and, consequently, cannot be used to determine any traffic patterns.¹⁸⁵

(c) Commission Decision

All parties agree that the SWBT IBT cost study should not be used to set reciprocal compensation rates. The Commission concludes that the SWBT IBT cost study is not a TELRIC study and also cannot be used to justify differentiating ISP-bound traffic and voice traffic for costing purposes. At this time, the Commission declines to distinguish voice from ISP-bound traffic for purposes of setting reciprocal compensation rates.

The Commission has rejected AT&T's proposed LATA-wide calling scope and also rejects AT&T's LATA-wide blended rate. See discussion in DPL Issue No. 2.

3. The Bifurcated Rate

During the initial hearing on the merits, there was considerable discussion of the development of a bifurcated local switching rate that would address the three-minute average voice call length used in the approved Mega-Arbitration local switching rate and the 29-minute average ISP-bound call length used in the SWBT IBT study.¹⁸⁶ The Commission expressed interest in a two-part rate that separates call set-up from call duration costs, which would mitigate any over-compensation resulting from the rate structure adopted in the Mega-Arbitrations, which is predicated upon call duration only.

(a) Parties' Positions

After the initial hearing on the merits, AT&T witness Mr. Rhinehart initiated discussions with SWBT witness Ms. Smith regarding the possibility of calculating a two-part local switching

¹⁸⁵ Coalition Ex. No. CLEC-1, Direct Testimony of William Page Montgomery at 53-57.

¹⁸⁶ See Tr. at 231-275 (April 4, 2000) and 427-431 (April 5, 2000).

rate consisting of a per-message set-up charge and a per-minute-of-use charge that would be consistent with the local switching and reciprocal compensation rates for local switching adopted in the Mega-Arbitrations.¹⁸⁷ Ms. Smith and Mr. Rhinehart agreed that the appropriate surrogate for separating set-up and duration costs can be based on an approved SWBT local service basic network function (BNF) cost study that identified local switching investment on a set-up and duration basis.¹⁸⁸ Ms. Smith and Mr. Rhinehart developed a ratio using both interoffice and intraoffice calling investments.¹⁸⁹ Although their calculations were performed independently, Ms. Smith and Mr. Rhinehart both calculated rates of \$0.0010887 per call and \$0.0010423 per minute for end-office switching.¹⁹⁰ Ms. Smith indicated that she participated in several conference calls with AT&T and other CLEC petitioners to revise, clarify and explain the methodology and calculations based on input from other CLEC cost witnesses.¹⁹¹

SWBT, WCOM, AT&T, ICG, and the Coalition indicate that the bifurcated rate concept is acceptable.¹⁹² Taylor Comm. opposes the bifurcated rate because its network is not limited in capacity by a call set-up function and argues that such a rate would not compensate Taylor Comm. for legitimate costs incurred in terminating SWBT's ISP-bound traffic.¹⁹³ Level 3, KMC, and Adelphia oppose implementation of the bifurcated rate, citing a lack of evidentiary

¹⁸⁷ AT&T Ex. No. 11, Affidavit of Daniel P. Rhinehart.

¹⁸⁸ See *Southwestern Bell Telephone Company's Application for Approval of LRIC Studies for Basic Network Access Channel Nonstandard 4-Wire, Type O, et. al., Pursuant to PUC SUBST. R. 23.91*, Docket No. 16657.

¹⁸⁹ SWBT Ex. No. 28, Affidavit of Barbara Smith; AT&T Ex. No. 11, Affidavit of Daniel P. Rhinehart.

¹⁹⁰ Tr. at 519-524 (May 18, 2000). The computation begins with the approved Mega-Arbitration local switching rate, which is a blended per-minute rate based upon an average call of 2.34 minutes. The BNF studies in Docket No. 16657 were computed with independent set-up (per call) and duration (per minute) components. The ratio of the two is used to compute rates based upon Mega-Arbitration inputs. Jointly, SWBT witness Mr. Smith and AT&T witness Mr. Rhinehart agree that a 75% large offices/25% small offices mix is appropriate for this computation.

¹⁹¹ SWBT Ex. No. 28, Affidavit of Barbara Smith.

¹⁹² Tr. at 241-255 (April 4, 2000).

¹⁹³ Taylor Comm. Post-Hearing Brief at 32 (April 19, 2000).

support.¹⁹⁴ Intermedia, Focal, Winstar, TW, NEXTLINK, and Allegiance express concern over the costs associated with administration and billing of a two-part rate.¹⁹⁵ Finally, SWBT rejects application of the bifurcated rate to ISP-bound traffic.¹⁹⁶

(b) Commission Decision

While the parties argue against the implementation of the bifurcated end-office rate at this time, those parties, with one exception, nevertheless agree that the bifurcated rate independently calculated by Mr. Rhinehart and Mr. Smith is reasonable. The Commission is not persuaded that the costs of implementation, administration, and billing outweigh the benefits of this cost-based rate, which more specifically accounts for the structure of the costs incurred. Moreover, the Commission finds that there is sufficient evidence in the record to support adoption of the bifurcated end-office rate. Furthermore, the Commission finds that this two-part end-office rate minimizes the debate about average call length. The Commission concludes that the two-part end-office rate, consisting of (1) a per call charge for the compensation of setup costs (\$0.0010887 per call) and (2) a per minute charge (\$0.0010423 per minute) for the compensation of volume-sensitive costs, shall be applied to all local traffic, including ISP-bound traffic.

The Commission re-adopts the inter-office transport and tandem switching rates adopted in the Mega-Arbitrations. The bifurcated end-office rate, the tandem switching rate, and the inter-office transport rates approved in this Order shall be applied to the rate structures approved under DPL Issue No. 2.

¹⁹⁴ Post Hearing Reply Brief of KMC at 3 (April 26, 2000), Level 3 Post Hearing Brief at 32 (April 19, 2000) and Reply Brief of Adelphia and CCCTX, Inc. D/B/A Connect! at 8 (April 26, 2000).

¹⁹⁵ Initial Brief of Focal at 13 and Initial Brief of Allegiance at 18 (April 19, 2000); Reply Brief of Winstar at 5, Reply Brief of TW at 6, NEXTLINK's Reply Brief at 4, and Intermedia Reply Brief at 4 (April 26, 2000).

¹⁹⁶ SWBT's Supplemental Brief on "Blended Rate" Issue at 8 (May 26, 2000).

D. DPL ISSUE NO. 4: WHAT IS THE APPROPRIATE METHOD BY WHICH TO BILL FOR THIS TRAFFIC?

(a) *The Current Billing System*

SWBT and CLECs currently calculate, verify, and bill for reciprocal compensation using a combination of originating records, terminating records, and factoring systems. In some instances, the companies are using a bill-and-keep system. Since 1994, SWBT has used an originating records system to bill for access compensation for LEC-carried intraLATA toll, local, extended area service (EAS), and transit traffic.¹⁹⁷ Throughout this proceeding, this system has been referred to as the "92 records" system, the "Primary Carrier" System (PCS), or the "92-99" records system.¹⁹⁸

Today, if either an ILEC or a facilities-based CLEC routes a call over SWBT facilities, billing is processed using the 92 originating records process.¹⁹⁹ The 92 process registers usage at the point at which the call enters or originates on the network and identifies the company that receives the call.²⁰⁰ The originating company then provides the records to the terminating company, which verifies and uses the records to bill the originating company for reciprocal compensation.²⁰¹ If a third-party customer places a call to a CLEC customer, and SWBT transports the call over its network, then the originating company provides records to both the transiting carrier, SWBT, and the terminating CLEC. SWBT and the terminating CLEC verify the records and use them to bill the originating company for reciprocal compensation.²⁰²

¹⁹⁷ SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 4-5; Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 6.

¹⁹⁸ In this Award, SWBT's originating records exchange and billing system is referred to as the "92 originating records process" or the "92 process." This Award will refer to the originating records used in this process as "92 records."

¹⁹⁹ SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 4.

²⁰⁰ SWBT Ex. No. 1, Direct Testimony of Paul L. Cooper at 9-10.

²⁰¹ SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 7.

²⁰² *Id.*

Currently, SWBT and AT&T exchange records using the 92 originating records process when AT&T delivers its customer's calls to SWBT using AT&T 4E and 5E switches. However, where the 4E switch is used, AT&T and SWBT exchange records for verification purposes only and use a separate process for billing. For calls traversing AT&T's 4E switch, SWBT bills AT&T at the access rate. AT&T then applies a SWBT approved factoring process to credit the overcharged rate on AT&T's access bill.²⁰³ For SWBT originated calls that traverse AT&T's 4E switch, AT&T and SWBT exchange records and bill via the 92 originating records process.²⁰⁴ Where AT&T's 5E switches are used, AT&T and SWBT exchange records for verification purposes to test the 92 originating records exchange process. During this period, the companies use bill-and-keep.²⁰⁵ When AT&T uses a SWBT unbundled switch element (UNE), the companies exchange records and bill via the 92 originating records process.²⁰⁶ In such an instance, however, SWBT sends Category 11 records to AT&T for purposes of verifying these calls.²⁰⁷ The 92 process is also used when AT&T operates as an unbundler.²⁰⁸

SWBT uses the Carrier Access Billing System (CABS) to bill for access compensation when calls are passed over interexchange carrier (IXC) facilities. This system uses "Category 11" terminating records,²⁰⁹ the CLECs' preferred alternative. Category 11 terminating records are call records collected by the carrier that terminates the call. The two types of records contain similar information.²¹⁰

²⁰³ AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 7.

²⁰⁴ *Id.*

²⁰⁵ *Id.* at 8.

²⁰⁶ *Id.*

²⁰⁷ Tr. at 646 (April 5, 2000).

²⁰⁸ AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 6.

²⁰⁹ SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 4.

²¹⁰ This Award refers to the terminating record exchange and billing system as the "terminating records process." It refers to the terminating records used in this process as "Category 11 records."

(b) *CLECs' Positions*

The CLECs present a number of arguments for abolishing the current 92 originating records process. ICG identifies the incentive that occurs when originating carriers instruct the terminating carrier on the amount of reciprocal compensation that the originating carrier must pay as one problem with the current system.²¹¹ ICG believes that it should be compensated by SWBT using a terminating records process similar to that used in the competitive interLATA marketplace.²¹² WCOM opposes the collection of data needed to render the bill by the carrier that will ultimately pay the bill.²¹³ e.spire argues that the Commission should audit SWBT to identify the origin and types of traffic directed onto e.spire's network.²¹⁴

Some CLECs note that they are unable to verify the records created by the 92 originating records process.²¹⁵ Consequently, AT&T and SWBT use a factoring process to bill for these calls.²¹⁶ Since AT&T is still working to implement the process for its 5E switches, AT&T and SWBT are using bill-and-keep.²¹⁷ Taylor Comm. exchanges records and bills SWBT using the 92 originating records process, but is unable to verify the accuracy of the records.²¹⁸

Several parties have experienced discrepancies between their own terminating records and SWBT's originating records. ICG testifies that its discrepancy is significant, but is unable to determine its exact cause.²¹⁹ ICG believes that its own terminating records are inherently more

²¹¹ Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 16.

²¹² *Id.* at 17.

²¹³ WCOM Ex. No. 1, Direct Testimony of Don Price at 32.

²¹⁴ e.spire Post Hearing Brief at 32 (April 19, 2000).

²¹⁵ AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 6.

²¹⁶ *Id.* at 7.

²¹⁷ *Id.* at 8.

²¹⁸ Taylor Comm. Ex. No. 3, Direct Testimony of Charles D. Land at 26.

reliable than originating records.²²⁰ ICG concurs that SWBT transports and terminates third party traffic to ICG, and that those third parties (including wireless carriers that do not participate in the 92 records process) do not provide billing records to ICG.²²¹ ICG also notes that terminating companies may not have a terminating recording method that identifies all third party traffic.²²²

AT&T prefers terminating records for calls involving unbundled switch elements (UNE-p) and local number portability (LNP).²²³ ICG notes that, when a carrier using a SWBT UNE-p switch port, additional processing is required for the 92 records process to identify the originating company.²²⁴ LNP further complicates the 92 records process by making it even more difficult for the terminating carrier to identify the originating carrier.²²⁵ WCOM concurs that there are shortcomings with the 92 records exchange process for UNE-p and LNP calls.²²⁶

A number of parties object to the 92 originating records process in part because it is not an industry standard, pointing out that, the National Ordering and Billing Forum (OBF) has not approved the 92 originating records process.²²⁷ ICG points out, and WCOM and AT&T concur, that while the 92 process uses some information that could be considered standard billing data, many fields in the 92 record are not standard and are modified from state to state within SWBT's operating territory.²²⁸

²¹⁹ Coalition Ex. No. ICG-7, Direct Testimony of Kenneth D. Davis at 4, 8; CLEC Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 9.

²²⁰ Coalition Ex. No. ICG-7, Direct Testimony of Kenneth D. Davis at 9.

²²¹ Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 15.

²²² Coalition Ex. No. ICG-10, Rebuttal Testimony of William J. Warinner at 4.

²²³ AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 8.

²²⁴ Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 12.

²²⁵ *Id.*

²²⁶ WCOM Ex. No. 1, Direct Testimony of Don Price at 32.

²²⁷ Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 10.

Some CLECs believe that the 92 originating records process is a duplicative and unnecessary financial burden. AT&T states that it already collects terminating records which, if used for billing, would eliminate the cost of the 92 process.²²⁹ AT&T asserts that it can bill for reciprocal compensation using a terminating records process when using its own network, so long as SWBT sends complete call detail with the call.²³⁰ AT&T asserts that it can also bill reciprocal compensation using a terminating records process for local, EAS, and intraLATA traffic.²³¹ ICG believes that the 92 originating records process itself is complex and expensive to implement and maintain.²³²

The CLECs also object to the 92 originating records process in part because it was not originally intended for use in a competitive environment. ICG points out that SWBT originally designed this process for use in the Missouri Primary Toll Carrier Plan implemented prior to the commencement of local and intraLATA toll competition.²³³ The Coalition believes that the LECs for whom SWBT designed the system may not have been as sensitive to the system accuracy as CLECs.²³⁴ In addition, the Coalition notes that the system was designed for much smaller volumes of traffic than it currently experiences.²³⁵

Several CLECs propose alternatives to the 92 originating records process. ICG proposes that reciprocal compensation settlements be based on each carrier's measurement of traffic that terminates on its own network.²³⁶ ICG contends that these recordings would be taken at either

²²⁸ *Id.* at 9; WCOM Ex. No. 1, Direct Testimony of Don Price at 32; and AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 5.

²²⁹ AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 9.

²³⁰ AT&T Ex. No. 10, Rebuttal Testimony of Shannie Marin at 5.

²³¹ *Id.*

²³² Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 5.

²³³ *Id.* at 16.

²³⁴ Coalition Ex. No. CLEC-1, Direct Testimony of William Page Montgomery at 60.

²³⁵ *Id.*

the tandem or end office and would provide a usage record from which to bill the originating carrier directly for reciprocal compensation.²³⁷ ICG notes that Category 11 records are consistent with OBF standards.²³⁸

AT&T and WCOM recommend that Category 11 terminating records be used to bill for reciprocal compensation.²³⁹ AT&T suggests that, so long as SWBT sends complete call detail with each call, including “to” and “from” numbers and the originating company number (OCN), it can bill from terminating records.²⁴⁰ AT&T notes that the “to” and “from” numbers are available in the call signaling and the OCN can be obtained using the LERG database.²⁴¹ WCOM also notes that its switches are able to record terminating records for billing purposes.²⁴² In addition, CLECs note that, if the Commission decides to implement a tandem compensation rate, the CLECs would be able to gather the information needed to bill for the tandem rate using the proposed terminating records system.²⁴³

ICG proposes billing SWBT for all minutes that it terminates to ICG over SWBT trunk groups, even if this traffic originated with another carrier—a process similar to payment arrangements between IXCs and ILECs.²⁴⁴ ICG clarified, and AT&T concurred, that it does not propose to bill the transiting company for reciprocal compensation, but only wishes to bill the originating carrier. ICG prefers that when SWBT transports a call over its network, SWBT bill

²³⁶ Coalition Ex. No. ICG-8, Direct Testimony of Roger L. Arnold at 3; Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 16.

²³⁷ Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 16.

²³⁸ Tr. at 626 (April 5, 2000).

²³⁹ AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 3; WCOM Ex. No. 1, Direct Testimony of Don Price at 33.

²⁴⁰ AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 4.

²⁴¹ Tr. at 662-663 (April 5, 2000).

²⁴² WCOM Ex. No. 1, Direct Testimony of Don Price at 33.

²⁴³ Tr. at 651 (April 5, 2000).

²⁴⁴ Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 17.

the originating carrier for reciprocal compensation.²⁴⁵ The CLECs note that Category 11 terminating records do not identify all of the carriers within a call path, but can only identify one transiting carrier.²⁴⁶

ICG and AT&T suggest that SWBT recover the costs of transiting traffic from the carriers whose traffic it transports.²⁴⁷ In the alternative, ICG proposes that the Commission ensure SWBT's cooperation in providing all necessary information to identify the carriers that are transporting calls over its network. ICG then proposes to use its own terminating records to establish the correct amount of reciprocal compensation due from SWBT.²⁴⁸

The CLECs note that they are capable of using terminating records to bill the originating carrier for UNE-p and ported calls by using the location routing number, passed along in switching, and the Local Exchange Routing Guide (LERG) to determine who owns the calling number.²⁴⁹ AT&T states that Pacific Bell is able to provide the OCN of any carrier operating with an unbundled switch, ensuring accurate billing to all parties.²⁵⁰

(c) SWBT's Position

SWBT prefers to continue using the 92 originating records process for a number of reasons, primarily because it is currently in use and it is the only process that provides the information needed to compensate all companies for use of their facilities.²⁵¹ SWBT further

²⁴⁵ Tr. at 629, 636 (April 5, 2000).

²⁴⁶ *Id.* at 575-576.

²⁴⁷ Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 17; AT&T Ex. No. 10, Rebuttal Testimony of Shannie Marin at 6; Tr. at 575 (April 5, 2000)

²⁴⁸ Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 17.

²⁴⁹ Tr. at 658 (April 5, 2000).

²⁵⁰ AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 4.

²⁵¹ SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 5.

indicates that by using originating records, the 92 process avoids the problem of billing a carrier for third party traffic that merely transits its network.²⁵² SWBT does not believe that this proceeding is an appropriate forum for addressing billing and records exchange processes because a change in any process would affect all the ILECs and facilities-based CLECs in Texas.²⁵³ SWBT notes, and AT&T's witness agrees, that the CLECs do not agree on an alternative records exchange and billing process.²⁵⁴

SWBT discusses at length the Connecting Network Access Recording (CNAR[®]) and AcceSS7[®] systems used on their network and their ability to make terminating recordings.²⁵⁵ Although the AcceSS7[®] system does record terminating usage and SWBT is currently testing it for use as a billing system, SWBT nonetheless contends that the AcceSS7[®] system is not ready for use as billing system.²⁵⁶ In addition, SWBT currently has not installed the CNAR[®] system, which creates a terminating record, on all of its switches.²⁵⁷ SWBT notes that, if the Commission were to mandate a terminating records process, it could use the 92 records process to verify bills received for reciprocal compensation.²⁵⁸ Until SWBT is able to generate terminating recordings, ICG notes that it can continue to give SWBT originating records for traffic that it terminates onto SWBT's network.

SWBT counters criticisms regarding accuracy by pointing out ICG's testimony indicating that the terminating records from ICG switches are unable to identify the originating party on all recorded traffic.²⁵⁹ SWBT also notes that ICG's method of using the Local Exchange Routing

²⁵² SWBT Ex. No. 11, Rebuttal Testimony of Joe B. Murphy at 14.

²⁵³ *Id.* at 7.

²⁵⁴ *Id.* at 20; Tr. at 583 (April 5, 2000).

²⁵⁵ Coalition Ex. No. ICG-8, Direct Testimony of Roger L. Arnold.

²⁵⁶ Tr. at 588, 590, 644 (April 5, 2000).

²⁵⁷ *Id.* at 609, 600.

²⁵⁸ *Id.* at 667.

Guide (LERG) to identify traffic that is originated on SWBT's network does not work for calls involving local number portability (LNP). SWBT further points out that the 92 originating records process identifies the originating caller for LNP calls and calls that involve unbundled switch elements.²⁶⁰ Finally, SWBT notes that CLECs, with whom ICG has not negotiated reciprocal compensation and records exchange agreements, could be sending traffic to ICG customers.²⁶¹

SWBT strongly opposes any alternative that results in CLECs billing SWBT for third party traffic carried over SWBT's network, asserting that the CLECs are responsible for establishing agreements with third-party carriers.²⁶² SWBT believes that companies that terminate traffic should bill the originating carriers directly.²⁶³ SWBT notes that its interconnection agreements address this issue.²⁶⁴ SWBT further notes that the FTA does not obligate SWBT to perform a third-party billing and collection function.²⁶⁵

SWBT points out that the terminating records process proposed by AT&T and supported by other parties has limitations. Category 11 terminating records require SWBT to send complete call detail information already provided by the 92 originating records process.²⁶⁶ In addition, SWBT notes that Category 11 records do not contain the information needed to identify all the parties on the call path, making it difficult for the terminating carrier to bill all the carriers involved in completing the call.²⁶⁷ Finally, SWBT does not believe that moving to terminating

²⁵⁹ SWBT Ex. No. 11, Rebuttal Testimony of Joe B. Murphy at 4.

²⁶⁰ *Id.*

²⁶¹ *Id.* at 16.

²⁶² *Id.* at 3.

²⁶³ *Id.* at 2; WBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 7.

²⁶⁴ SWBT Ex. No. 11, Rebuttal Testimony of Joe B. Murphy at 3.

²⁶⁵ *Id.* at 15.

²⁶⁶ *Id.* at 17.

records will solve the data problems discussed in this proceeding unless all companies' exchange records.²⁶⁸

(d) Commission Decision

The Commission acknowledges that the lack of agreement of the parties with respect to billing issues extends to the national level. Moreover, the Commission notes that the common practice in our economy is to generally rely upon the records of the party that remits a service (e.g. the terminating carrier) and submits a bill to the recipient of that service (e.g., the originating carrier). Therefore, the Commission concludes that, where technically feasible, the terminating carrier's records shall be used to bill originating carriers (excluding transiting carriers) for reciprocal compensation, unless both the originating and terminating carriers agree to use originating records. The Commission further concludes that where a terminating carrier is not technically capable of billing the originating carrier (excluding transiting carriers) through the use of terminating records, the terminating carrier shall use any method agreed upon between the parties. The Commission finds that the use of terminating records among the parties to bill for reciprocal compensation is a more efficient and less burdensome method to track the exchange of traffic. Terminating records impose less cost upon the terminating carriers than the previous regulatory scheme that used SWBT's 92/99 originating records to bill for reciprocal compensation.

The Commission notes SWBT's concerns regarding transiting traffic and concludes that terminating carriers shall be required to directly bill third parties that originate calls and send traffic over SWBT's network. Transiting carriers shall bill the originating carrier using terminating or originating records based upon existing contract terms between the originating and transiting carrier.

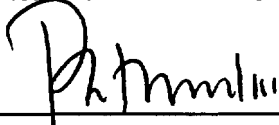
²⁶⁷ *Id.* at 6, 17, 19. Parties noted that Category 11 terminating records do not identify all of the carriers within a call path, but can only identify one transiting carrier. Parties also agreed that while 92 originating records can identify up to eight parties within the call path, Category 11 records can only identify one transiting party. See Tr. at 563, 575-577 (April 5, 2000).

²⁶⁸ SWBT Ex. No. 11, Rebuttal Testimony of Joe B. Murphy at 19.

The Commission recognizes that there may be disagreement over the content and/or accuracy of a carrier's termination records and expects that such disputes will be settled among the parties. The Commission notes, however, that when a balance in the traffic between originating and terminating carriers eventually occurs, a bill-and-keep system could be adopted that would eliminate the need for exchange of terminating records.

SIGNED AT AUSTIN, TEXAS the 12th day of July, 2000.

PUBLIC UTILITY COMMISSION OF TEXAS


PAT WOOD, III, CHAIRMAN


JUDY WALSH, COMMISSIONER


BRETT A. PERLMAN, COMMISSIONER

Staff Arbitration Advisors

Jingming Chen, Katherine Farroba, Steve Davis, Mark Gladney, Adriana Gonzales, Todd Kimbrough, Anne McKibbin, Donna Nelson, Meena Thomas, Pamela Whittington, Patricia Zacharie, and Diana Zake.

\\PUCSRVR01\DATA\SHARED\OPD\ARBS\21XXX\21982\AWARD\AWARDFINAL.DOC

ATTACHMENT A

DOCKET NO. 21982
ARBITRATION AWARD
ATTACHMENT A

Mega Arbitration Interconnection Rates¹	
Rate Element	Rate
Tandem Switching	\$0.000794/MOU
Blended Transport	\$0.000399/MOU
Term. Zone 1(Rural)	\$0.000144/MOU
Term. Zone 2 (Suburban)	\$0.000135/MOU
Term. Zone 3 (Urban)	\$0.000123/MOU
Term. Zone 4 (Interzone)	\$0.000187/MOU
Term. Statewide Average	\$0.000135/MOU
Fac. Mi. Zone 1 (Rural)	\$0.0000101/MOU
Fac. Mi. Zone 2 (Suburban)	\$0.0000032/MOU
Fac. Mi. Zone 3 (Urban)	\$0.0000011/MOU
Fac. Mi. Zone 4 (Interzone)	\$0.0000033/MOU
Fac. Mi. Statewide Average	\$0.0000021/MOU
End Office Switching	\$0.001507/MOU

Bifurcated End Office Switching Rate²	
Rate Element	Rate
Set-up	\$0.0010887/call
Duration	\$0.0010423/MOU

¹ Docket No. 16189, *et al*, Second Mega-Arbitration Award (Dec. 19, 1997).

² See AT&T Ex. No. 11, Affidavit of Daniel P. Rhinehart and SWBT Ex. No. 28, Affidavit of Barbara A. Smith.